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SUBJECT: COLOMBIA'S TRADE AGENDA - MOVING AHEAD WITHOUT US

Classified By: Econ Counselor Lawrence J. Gumbiner for reasons 1.4(b)(d)

¶11. (U) Summary. As the Washington continues over the U.S.-Colombia Trade Promotion Agreement (CTPA), Colombian trade negotiators are working non-stop to wrap up on-going negotiations with other partners and seek new market opening opportunities. Colombia expects to finish free trade negotiations with Canada in late May and close negotiations with Norway, Switzerland, Iceland and Liechtenstein (the EFTA countries) in mid-June. Negotiations with the EU have entered a cul-de-sac, as Bolivia and Ecuador have announced that critical sectors, such as government procurement and services, are off the table, leaving the Colombians and the Peruvians searching for a way forward. Colombian officials recently returned from meetings in Japan, where they were setting the ground work for a Bilateral Investment Agreement and a possible free trade negotiation. End Summary.

Trade Agenda - Catching Up

¶12. (U) Colombia started the decade with only two real trade agreements, Mexico-Venezuela and the Andean Community. Since President Uribe came in to office, the Colombian government has been hurrying to catch up to free trade neighbors like Chile. Besides the CTPA, Colombia has concluded negotiations with Chile (expanding an earlier agreement to include areas such as services and investment), Mercosur (becoming an associate member) and the northern triangle of Central America (El Salvador, Guatemala, and Honduras). The Mercosur Agreement is phasing-in, while the agreements with Chile and the Central Americans are winding through the congressional and/or constitutional court approval process. Next in the queue are negotiations with Canada, the EU, and EFTA. As these negotiations close, the Colombians are looking towards Asia, and possible trade or investment agreements with countries such as China and Japan.

It's All About US

¶13. (C) The rush to make up free trade ground is only part of the reason Colombian negotiators are traveling the globe. While Colombia wants to negotiate trade agreements with key trade partners, our contacts in and out of government tell us that the GOC hopes that closing with Canada and advancing with the EU will increase on Capitol Hill to pass the CTPA. Santiago Pardo (protect), trade advisor for a Colombian manufacturers association, told us that their analyses demonstrate that U.S. producers of products such as wheat, barley, beef and pork as well as service companies will be at a distinct competitive disadvantage with Canada once the agreement is penned.

Canada First

¶4. (C) Trade Ministry Director Juan Guillermo Castro (protect) told Econoff that negotiations with Canada will conclude shortly. The Colombians had hoped to conclude the Agreement by the end of 2007, but an accelerated five-round negotiation schedule proved insufficient, even though both sides accepted large parts of the U.S. agreement as the starting point. A mini-round in March 2008 narrowed the list of outstanding issues, and the final round will take place the last week of May in Bogota, where negotiators are expected to finalize a deal on the remaining sensitive issues (agriculture access, a few institutional issues and parts of the investment chapter).

EU Negotiations - Shoes Dropping

¶5. (C) The EU negotiations hit a serious but not insurmountable obstacle when Bolivia announced that they would not negotiate in non-goods areas such as government procurement, services and investment. While not surprised by Bolivia's decision, the Colombians and Peruvians had hoped to progress further along in the negotiations before having to resolve the matter. According to Castro, Bolivia's only interest is gaining development assistance from the EU. Castro expects Ecuador to announce shortly that it too will not negotiate the non-goods areas. The EU has stated since the beginning that it would only negotiate with a bloc, rather than bilaterally. (NOTE: The French Commercial Counselor told EconCouns that the decision to negotiate in bloc was for Colombia's benefit; a negotiation just with Colombia, he stated, would not have been sanctioned by the European Parliament. END NOTE.) Pardo believes that a compromise may be found where Bolivia and Ecuador would participate in the non-trade discussions and political/cooperation agreements, leaving Colombia and Peru to pursue a robust trade agreement. Discussions on a possible solution will take place in July in Brussels.

Other Markets - Small and Smallest

¶6. (C) Negotiators will meet in mid-June in Switzerland to conclude trade negotiations with the EFTA countries. The remaining issues include agriculture, fish and services. Castro does not expect problems bringing that negotiation to a close.

BITs and Pieces - Looking West

¶7. (C) Colombia trade negotiators and private sector officials recently returned from meetings in Japan, where they initiated study groups to investigate the possibility of negotiating a bilateral investment treaty (BIT). Castro, who participated in the talks, reported that the meetings went well and the process will likely lead to a bilateral investment negotiation and possibly a free trade negotiation.

Trade Minister Plata -- who previously worked for the GOC in Asia -- has always maintained that Colombia's natural markets are in the U.S. and the EU and has avoided buying into the fervor of commerce with Asia. Castro reports, however, that the Ministry may take up BIT negotiations with a number of Asian countries once the above mentioned negotiations have concluded.

Comment

¶8. (U) Colombia is jumping into the free trade pool with both feet. This is both an outgrowth of the Uribe

Administration's export-led growth policies, and a reaction to the delays in CTPA approval. Within two years, Colombia is likely to have in place trade accords with nearly all of its biggest trade partners. While the extent of trade diversion away from the U.S. and toward other markets is difficult to predict, there is no escaping the simple fact that if the U.S. does not approve the CTPA, nearly all U.S. products will continue to face tariffs while most products from Canada and other principal competitors will not.

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